

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

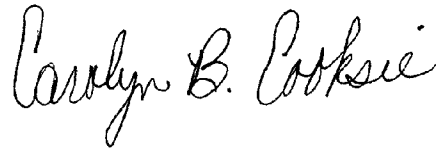
**Notice FLP-142**

1941-A

**For:** State and County Offices

**Using Operating Loan (OL) Funds for Real Estate Repairs and Improvements**

**Approved by:** Deputy Administrator, Farm Loan Programs



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**1 Overview**

**A**

**Purpose**

This notice provides established guidelines when using OL funds for real estate repairs and improvements.

**B**

**Contact**

State Offices shall direct questions about this notice to LMD at 202-720-1632.

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**2 Authorized OL Purposes**

**A**

**Guidelines for  
OL Purposes**

According to loan purposes established in FmHA Instruction 1941-A, Section 1941.16, OL funds may be used for limited real estate improvements and repairs according to the following guidelines.

- Repairs and improvements to existing structures which are treated as expenses, rather than capital improvements, shall be considered an annual operating expense under FmHA Instruction 1941-A, Section 1941.16(c).
- Fixtures to a farm building may be considered farm or ranch equipment and financed with OL funds under FmHA Instruction 1941-A, Section 1941.16(b).

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**Disposal Date**

January 1, 2002

**Distribution**

State Offices; State Offices relay to County  
Offices

## 2 Authorized OL Purposes (Continued)

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### A

#### Guidelines for OL Purposes (Continued)

- Loans may be approved for building construction under FmHA Instruction 1941-A, Section 1941.16(a) or (c), depending on the particular circumstances. Building construction may only be financed under the OL program when the proposed building can be repaid within 7 years.

**Example:** An \$8,000 pole barn to house a combine could be authorized. However, a \$100,000 building financed with a 15-year amortization and a 7-year balloon payment is not permitted. The 15-year amortization period indicates this loan is for real estate rather than operating purposes.

- Any purchase of land is **not** authorized.
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